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ANNUAL REPORT 1972

OFFICERS

Kenneth A. Roberts
Chairman of the Board

Charles F. Watson
President and
Managing Director

P. C. Finlay, Q.C.
Secretary-Treasurer

C. Donald Brooks, P.Eng.
Vice President,
Land Development

Donovan R. Lytle, C.A.
Comptroller

DIRECTORS

E. R. E. Carter
Toronto, Ontario

P. C. Finlay, Q.C.
Toronto, Ontario

A. H. Honsberger, B.Sc.
Brampton, Ontario

*Kenneth A. Roberts
Toronto, Ontario

E. L. Rounding
Toronto, Ontario

H.F. Teney, Q.C.
Toronto, Ontario

*J. B. L. Thomas
Mississauga, Ontario

Charles F. Watson
Brampton, Ontario

*A. E. Wilkes, C.A.
Toronto, Ontario

HEAD OFFICE

2400 Bank of
Nova Scotia Building,
44 King Street West,
Toronto M5H 1E2, Ontario,
Canada.

GENERAL OFFICE

170 Kennedy Road South,
Brampton, Ontario,
Canada.

TRANSFER AGENTS

The Canada Trust
Company
110 Yonge Street,
Toronto, Ontario,
Canada.

Registrar & Transfer Co.
34 Exchange Place,
Jersey City 07302, N.J.,
U.S.A.

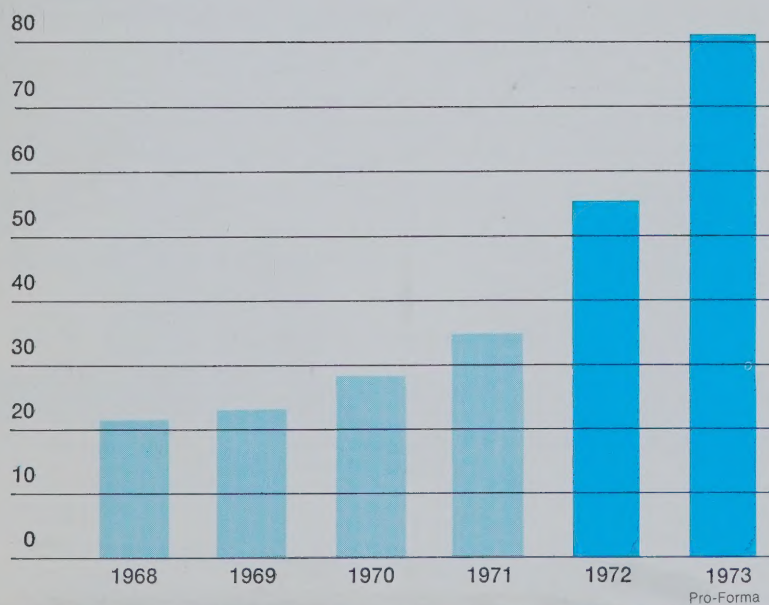
GENERAL COUNSEL & SOLICITORS

Holden Murdoch Walton
Finlay Robinson
2400 Bank of
Nova Scotia Building,
44 King Street West,
Toronto M5H 1E2, Ontario,
Canada.

financial highlights

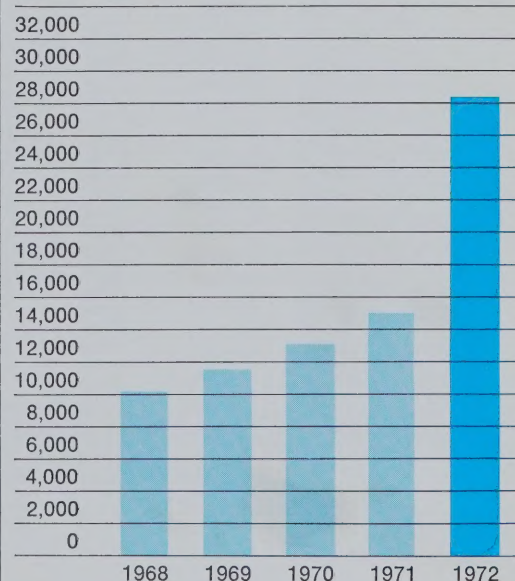
	1972 \$	1971 \$	1970 \$	1969 \$	1968 \$
Net Profit for the Year	1,326,646	1,134,312	985,202	939,582	786,504
Per Share	.90	1.00	.90	.86	.91
*Cash Flow from Operations	2,708,212	2,244,912	1,695,285	1,564,851	1,232,850
Per Share	1.82	1.97	1.54	1.44	1.42
Revenue from Income Producing Properties	5,014,577	3,702,892	3,328,182	2,582,034	1,881,310
Total Revenue	6,457,134	5,943,325	5,316,542	6,163,502	4,522,180
*For composition of Cash Flow from Operations see "Consolidated Statement of Operations"					
Average Number of Shares Outstanding	1,484,994	1,137,707	1,100,207	1,087,708	865,833

TOTAL ASSETS



Shareholders' Equity plus Deferred Income Taxes

\$ Thousands



directors' report

TO THE SHAREHOLDERS:

Earnings and cash flow for 1972 increased to \$1,326,646 and \$2,708,212 compared with \$1,134,312 and \$2,244,912 in 1971. Because of the increase in the average number of shares outstanding to 1,484,994, primarily as a result of the sale of 500,000 treasury shares for \$10 million, earnings and cash flow per share were lower at \$.90 and \$1.82 compared with \$1.00 and \$1.97. These new funds together with the consequent enlarged borrowing base have enabled the Company to increase its assets from \$34 million at the end of 1971 to its present level of \$80 million. This substantial asset expansion occurred in the latter part of 1972 and in early 1973. This will contribute significantly to earnings and cash flow during 1973 and for many years to come.

Because of the major acquisitions by the Company in January 1973 it has been considered meaningful to reflect them in a Pro-Forma January 1973 Balance Sheet included in the audited financial Statements.

Compared to December 31, 1971 the Company's 100% owned investment properties are:

	Presently held	Held at December 31, 1971
Shopping Centres		
- net retail selling space	1, 166, 889 sq. ft.	629,362 sq. ft.
Apartment Units		
- completed	2,025 units	861 units
- under construction	915 units	160 units

In addition the Company has a 50% interest in 1,039 apartment units.


The Company's land holdings have also increased substantially through the acquisition of the remaining 50% joint-venture interest in Peel Village Highlands located in the City of Cambridge, Ontario, and through the acquisition of land in Metropolitan Toronto zoned for approximately 2000 residential units.

In 1973 the Company will receive a higher level of income from its enlarged investment properties portfolio and this portfolio will again increase as the Company continues to implement its shopping centre expansion program and as apartment construction progresses.

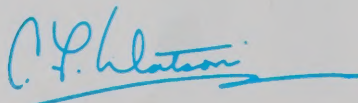
Land values in and around Metropolitan Toronto have recently risen at an unprecedented pace due largely to extremely heavy demand for new homes. Your Company is fortunate to include among its assets land purchased over many years at well below current market prices, which will enable it to compete aggressively in the new home market during 1973.

During 1972 the Board of Directors was increased from five to nine, and representatives from two new major shareholders were elected: Messrs. J. B. L. Thomas and P. C. Wood representing Hambro Corporation of Canada Limited, and Messrs. E. L. Rounding and A. E. Wilkes representing Simpsons Limited. Also during 1972, pursuant to a merger of interests agreement, Canadian Goldale Corporation Limited acquired control of Hambro Corporation of Canada Limited consequent to which Canadian Goldale changed its name to Hambro Canada (1972) Limited. Subsequent to December 31, 1972 Messrs. P. C. Wood and S. L. Jaske resigned from the Board of Directors and Messrs. E. R. E. Carter and H. F. Teney, executives of Hambro Canada (1972) Limited, were elected to fill the vacancies. At a meeting on April 2nd, 1973, the Board of Directors passed a resolution splitting the shares of the company 2 for 1. Subject to ratification of this resolution by shareholders, it is anticipated that the new shares will be listed for trading.

On behalf of the Board of Directors



Kenneth A. Roberts
Chairman of the Board



Charles F. Watson
President and Managing Director

6 April 1973

apartments

A recent acquisition
is the Flemington Park
Apartment complex,
eight buildings, 880 suites



One of the Flemington Park buildings in Toronto

The Courtleigh, Toronto



Graydon Hall Manor apartments, Toronto, owned 50% by the company.



shopping centres

Now over 1,000,000 square feet
of commercial rentable space.
Shoppers World Brampton
Shoppers World Danforth
Shoppers World Albion
Peel Village Square

Clock Tower & Simpsons, Shoppers World Brampton



Entrance to Eaton's,
Shoppers World Danforth

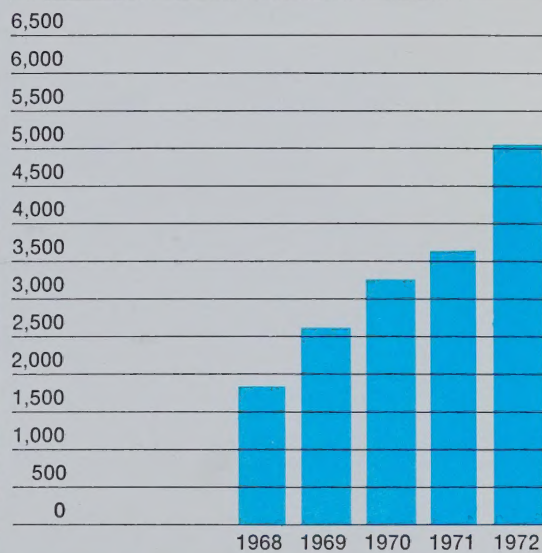


Mall interior,
Shoppers World Albion



RENTAL REVENUE

\$ Thousands



residential developments

Currently under production are units in:

Peel Village, Brampton

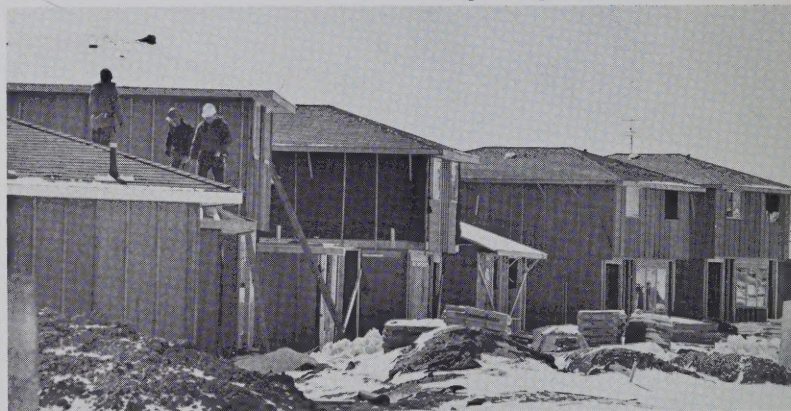
Goreway Drive, Malton

Forest Hills, Toronto

Peel Village Highlands, Cambridge (Preston)

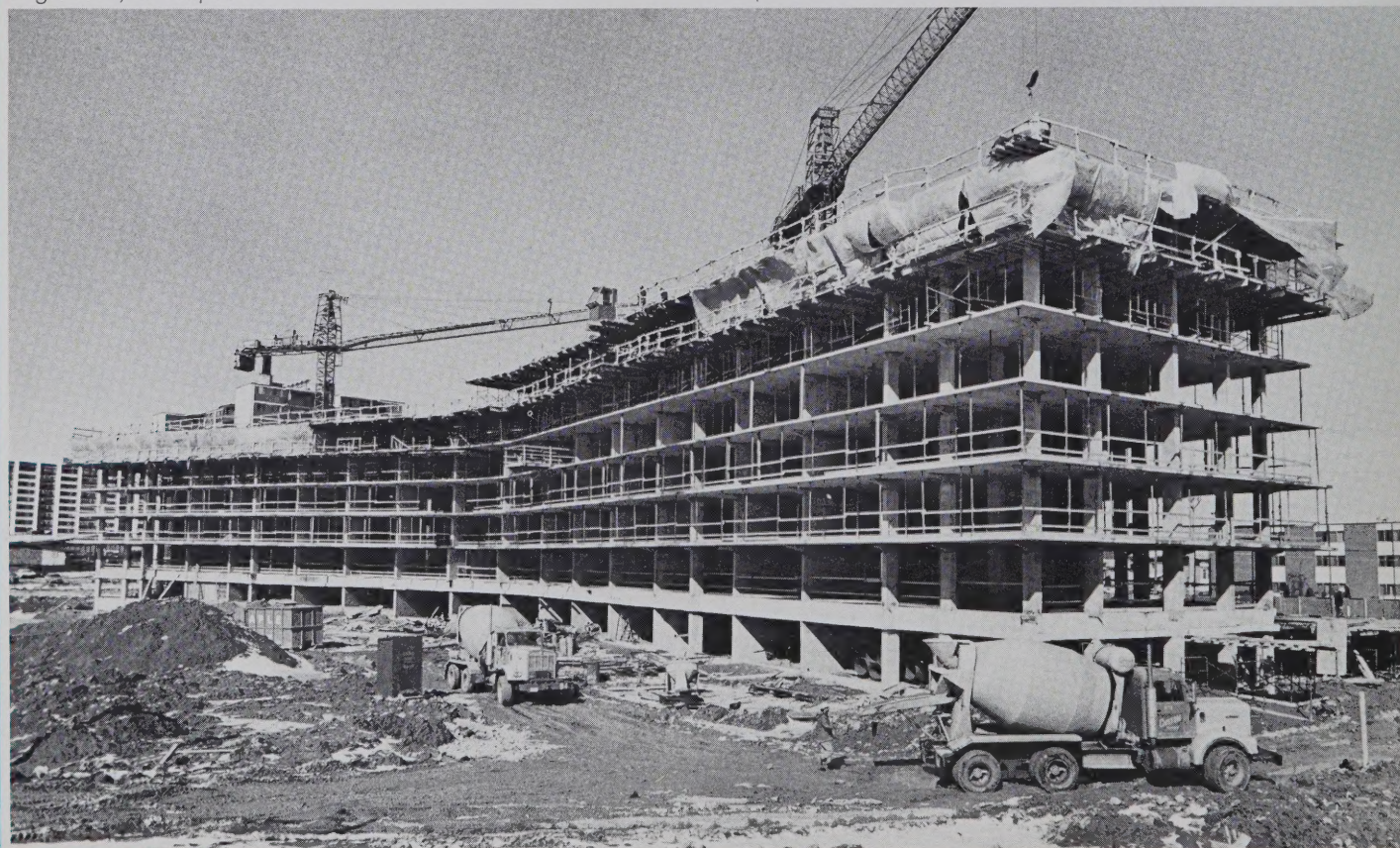


High rise, Brampton ^



Peel Village Highlands construction

v Forest Hills construction



peel-elder limited and subsidiary companies

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 1972

	1972	1971
HOUSES AND LAND		
Sales	\$ 1,019,586	\$ 2,026,954
Costs	<u>671,357</u>	<u>1,098,595</u>
	<u>348,229</u>	<u>928,359</u>
RENTALS		
Revenue	5,014,577	3,702,892
Costs	<u>2,927,453</u>	<u>2,141,733</u>
	<u>2,087,124</u>	<u>1,561,159</u>
	2,435,353	2,489,518
GENERAL AND ADMINISTRATIVE EXPENSES	<u>283,785</u>	<u>300,485</u>
	<u>2,151,568</u>	<u>2,189,033</u>
OTHER INCOME		
Interest, discounts and share in income of joint enterprises	385,931	213,479
Gains on disposal of investments	<u>37,040</u>	<u>—</u>
PROFIT BEFORE PROVISION FOR INCOME TAXES	2,574,539	2,402,512
Provision for current income taxes	<u>256,716</u>	<u>464,000</u>
PROFIT BEFORE PROVISION FOR DEFERRED INCOME TAXES	2,317,823	1,938,512
Provision for deferred income taxes	<u>991,177</u>	<u>804,200</u>
NET PROFIT FOR THE YEAR	<u>\$ 1,326,646</u>	<u>\$ 1,134,312</u>
Net Profit for the year	\$ 1,326,646	\$ 1,134,312
Depreciation	390,389	306,400
Deferred income taxes	<u>991,177</u>	<u>804,200</u>
CASH FLOW FROM OPERATIONS	<u>\$ 2,708,212</u>	<u>\$ 2,244,912</u>

peel-elder limited and subsidiary companies

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1972 AND PRO-FORMA CONSOLIDATED BALANCE SHEET

ASSETS	1972	Pro-Forma January 1973 Note 10	1971 Restated Note 6
Cash	\$ —	\$ —	\$ 580,674
Accounts Receivable	897,335	1,939,034	401,474
Inventories - Note 1			
Land and Housing, at cost	7,753,882	15,856,092	2,957,948
Building Materials, at lower of cost and net realizable value	—	1,199,138	—
Marketable Securities, at cost (market value: 1972 - \$21,400; 1971 - \$487,601)	22,908	22,908	607,353
Mortgages Receivable	2,308,693	3,522,760	2,167,848
Prepaid Expenses and Deposits	388,667	1,139,209	278,284
Rental Properties, at cost less accumulated depreciation of \$1,908,974 (1971 - \$1,366,724; pro-forma \$2,642,295) - Note 1	39,790,633	51,544,154	22,297,953
Investments - Note 2			
Joint Enterprises	5,477,385	4,317,938	5,221,332
Sundry	—	278,909	—
Fixed, at cost less accumulated depreciation of \$101,416 (1971 - \$93,614; pro-forma \$466,980)	48,864	712,758	49,598
Gold Mining Properties, at nominal value	2	2	2
	<u>\$56,688,369</u>	<u>\$80,532,902</u>	<u>\$34,562,466</u>

Approved on behalf of the board:

K.A. Roberts

Director

C.F. Watson

Director

LIABILITIES	1972	Pro-Forma January 1973 Note 10	1971 Restated Note 6
Bank Advances - Note 3	\$ 6,609,964	\$14,538,296	\$ 2,300,000
Accounts Payable	1,234,227	2,275,636	945,139
Income Taxes	233,508	376,470	297,948
Provision for Land Servicing	126,252	1,483,345	449,443
Mortgage Advances on Construction	—	—	1,780,777
Tenants' Deposits	203,021	345,551	158,405
Mortgages and Notes Payable to Affiliated Companies - Note 4	1,318,690	1,408,690	614,300
Mortgages and Notes Payable - Note 4	18,418,640	31,479,847	12,477,879
	<u>28,144,302</u>	<u>51,907,835</u>	<u>19,023,891</u>
Deferred Income Taxes - Notes 1 and 6	4,541,187	4,622,187	2,691,000
Shareholders' Equity - Notes 5 and 6			
Share Capital			
Authorized 4,000,000 shares of no par value			
Issued and Fully Paid 1,639,467 shares	18,768,697	18,768,697	8,940,038
Retained Earnings	5,234,183	5,234,183	3,907,537
	<u>24,002,880</u>	<u>24,002,880</u>	<u>12,847,575</u>
	<u>\$56,688,369</u>	<u>\$80,532,902</u>	<u>\$34,562,466</u>

AUDITORS' REPORT

To the Shareholders
PEEL-ELDER LIMITED

We have examined the consolidated balance sheet of Peel-Elder Limited and subsidiary companies as at 31 December 1972 and the consolidated statements of operations and source and use of cash for the year then ended and the pro-forma consolidated balance sheet as at January 1973. Our examination of the financial statements of the parent company and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who examined the financial statements of Millmink Developments Limited and the consolidated financial statements of Diversco Holdings and Industries Limited.

In our opinion;

- a) The accompanying consolidated balance sheet and consolidated statements of opera-

tions and source and use of cash present fairly the financial position of the companies as at 31 December 1972 and the results of their operations and source and use of their cash for the year then ended;

- b) The accompanying pro-forma consolidated balance sheet presents fairly the financial position of the companies as at January 1973 after giving effect to the adjustments set forth in note 10 to the consolidated financial statements;

all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year with the exception of the change in accounting for deferred income taxes (with which we concur) as set forth in note 6 to the financial statements.

Sanwady & Company

CHARTERED ACCOUNTANTS

Toronto, Ontario
28 March 1973

peel-elder limited and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 1972

Note 3

BANK ADVANCES AND GUARANTEES

Bank advances are secured by a registered demand debenture totalling \$10,000,000 on a regional shopping centre in Peel Village, Brampton, Ontario.

As surety for completion of services to the first phase of Peel Village Highlands, the Company's banker has issued a letter of credit to the City of Cambridge in the amount of \$308,110.

As surety for payment of notes payable in the amount of \$3,550,000 assumed on the acquisition of Millmink Developments Limited, the Company's banker has issued letters of credit in the amount of \$4,137,000 representing principal amount plus interest to be paid to maturity of the notes.

Note 4

MORTGAGES AND NOTES PAYABLE

Mortgages and notes, including due to affiliated companies, are repayable in varying amounts to the year 2000 and bear an average interest rate of 7.2%.

Principle amounts due on the mortgages and notes in the next five years are:

	1972	1971
1972	\$ —	\$ 214,800
1973	946,000	1,220,000
1974	967,000	233,000
1975	1,154,000	222,000
1976	2,561,000	223,000
1977	538,000	

Note 5

EMPLOYEES' STOCK OPTIONS

Under a stock option plan, 55,000 unissued shares of the company were reserved for option to employees at a price not less than 100% of the fair market price of the shares of the company at the date of the grant of any option. At 31 December 1972 options have been exercised on 1,760 shares at \$12.50 per share and there are 44,900 shares under option at \$12.50 per share.

Note 6

SHAREHOLDERS' EQUITY

Authorized Capital

During 1972 the authorized capital of the company was increased to 4,000,000 shares of no par value by the creation of an additional 2,000,000 shares ranking equally with existing shares.

	1972	
Issued Capital	Shares	\$
Balance 1 January	1,137,707	8,940,038
Issued for cash during the year (net of expenses of issue)	501,760	9,828,659
Balance 31 December	1,639,467	18,768,697

	1971	\$
Balance 1 January	1,100,207	8,577,538
Issued for cash during the year	37,500	362,500
Balance 31 December	1,137,707	8,940,038
Retained Earnings	1972	1971
Balance 1 January, as previously reported	\$4,731,537	\$ 3,597,225
Adjustment of deferred income taxes	824,000	824,000
Balance 1 January, as restated	3,907,537	2,773,225
Net Profit for Year	1,326,646	1,134,312
Balance 31 December	\$5,234,183	\$ 3,907,537

Retained earnings have been restated to provide for deferred income taxes of \$824,000 in respect to 1967 and prior years.

Note 7

SUPPLEMENTARY INFORMATION

The following items have been included in operating expenses:

	1972	1971
Interest on long term indebtedness	\$1,103,636	\$ 880,686
Provision for Depreciation	390,389	306,400
Aggregate direct remuneration of eight senior officers	166,385	136,123

Note 8

EARNINGS PER SHARE

Computed on the average number of shares outstanding:

	1972	1971
After current income taxes	\$ 1.57	\$ 1.70
After deferred income taxes	\$.90	\$ 1.00
Average number of shares outstanding	1,484,994	1,137,707

Issue of shares under the employees' stock option plan would have no significant dilutive effect on earnings per share.

Note 9

BUSINESS ACQUISITION

As of 30 June 1972 for an aggregate consideration of \$8,100,000 a subsidiary acquired from Aetna-Goldale Investments Limited all the issued shares of Millmink Developments Limited, an Ontario Corporation, whose chief assets are land zoned for 2035 multiple units, and a regional shopping centre, Shoppers World Albion, together with land for expansion thereof. By an appraisal dated 1 March 1969 the book value of the regional shopping centre was increased by \$1,660,974 in the accounts of Millmink Developments Limited.

The book value of the net assets in the accounts of Millmink Developments Limited as at acquisition date was:

	\$1,623,905
Adjusted to appraised fair market value by:	
Increase in land zoned for 2035 multiple units	2,877,983
Increase in regional shopping centre	2,624,152
Increase in land for shopping centre expansion	973,960
	<u>\$8,100,000</u>

Payment was effected by the subsidiary as follows:

Cash	\$3,600,000
Assumption from Aetna-Goldale Investments Limited of notes payable, 5% interest, maturity 1976	3,550,000
Note payable 8% interest, maturity 1977	950,000
	<u>\$8,100,000</u>

The purchase method of accounting has been used to record the transaction; and operations of the acquired property are included in the income statement from 1 July 1972.

Note 10

SUBSEQUENT EVENTS AND PRO-FORMA BALANCE SHEET

As of 1 January 1973 a subsidiary acquired certain real estate holdings from Aetna-Goldale Investments Limited and the one-half interest of Hambro Canada (1972) Limited in the net assets of the joint venture, Peel Village Highlands. As of 2 January 1973 the subsidiary acquired all the outstanding shares of Diversco Holdings and Industries Limited from Tokar Limited.

The accompanying pro-forma balance sheet reflects these transactions as follows:

- 1) Cash payments of \$7,094,989

- 2) Line-by-line consolidation of Peel Village Highlands
- 3) Line-by-line consolidation of Diversco Holdings and Industries Limited and its subsidiaries, with the exception of its music franchise operations which are carried at their estimated value of \$250,000
- 4) The attribution to rental properties of the excess purchase price of the shares of Diversco Holdings and Industries Limited over its net book value in the amount of \$101,598.

These transactions are summarized as follows:

Assets Acquired:

Accounts Receivable	\$ 1,041,699
Inventories,	
Land and Housing	8,102,210
Building Materials	1,199,138
Mortgages Receivable	1,214,067
Prepaid Expenses and Deposits	750,542
Rental Properties	11,753,521
Investments, Sundry	278,909
Fixed	663,894
	<u>25,003,980</u>

Liabilities Assumed:

Bank Advances	833,434
Accounts Payable	1,041,409
Income Taxes	142,962
Provision for land servicing	1,357,093
Tenants' Deposits	142,530
Mortgages and Notes Payable	13,151,207
Deferred Income Taxes	81,000
	<u>16,749,635</u>
	<u>\$ 8,254,345</u>

Represented By:

Cash Payments	\$ 7,094,989
Elimination of investment in joint venture on line-by-line consolidation	1,159,447
	<u>\$ 8,254,345</u>

